



# County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA  
Chief Executive Officer

December 31, 2013

To: Audit Committee

From: William T Fujioka  
Chief Executive Officer

Board of Supervisors  
GLORIA MOLINA  
First District

MARK RIDLEY-THOMAS  
Second District

ZEV YAROSLAVSKY  
Third District

DON KNABE  
Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

## REVIEW OF BOARD POLICY NO. 5.070 – MULTI-YEAR SERVICES CONTRACT COST OF LIVING ADJUSTMENTS

In response to the request from the Executive Officer of the Board of Supervisors, this Office, in conjunction with the Internal Services Department, have reviewed Board Policy 5.070, Multi-Year Services Contract Cost of Living Adjustments. At this time, we are recommending the following minor changes to the policy, and have included the recommend changes in the attached red-line version:

- Purpose Section – Very minor edits;
- Policy Section – Very minor edits;
- Responsible Department Section – Move Internal Services Department (ISD) up as the lead responsible department, as ISD has assumed the primary responsibility for Countywide contracting; and
- Date Issued Section – Extend the sunset review date to March 18, 2018.

If you have any questions regarding this request, please contact Frank Cheng of my staff at (213) 893-7938, or Joe Sandoval of Internal Services at (323) 267-2109.

WTF:SHK:FC:ib

Attachment

c: County Counsel  
Internal Services

Review of Board Policy 5.070 Multi-Year Services COLA (Audit Committee)

*"To Enrich Lives Through Effective And Caring Service"*

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# Los Angeles County BOARD OF SUPERVISORS POLICY MANUAL

Policy #:	Title:	Effective Date:
5.070	Multi-Year Services Contract Cost of Living Adjustments	04/01/97

## PURPOSE

Provides guidelines for the use of ~~e~~Cost of ~~l~~iving ~~a~~Adjustment (COLA) provisions in multi-year services contracts, establishes the maximum allowable COLA.

## REFERENCE

April 1, 1997 Board Order, [Synopsis 73](#)

April 8, 1997 Chief Administrative Office memo, "[Policy on Contract Cost of Living Adjustments \(COLAs\)](#)"

April 25, 1997 Memo "[New Policy on Contract Cost of Living Adjustments \(COLAs\)](#)"

October 2, 2001 [Board Order No. 76](#)

January 29 2002, Chief Administrative Office letter, "Contracting Policy – Cost of Living Adjustments", [Board Order No. 17](#)

September 26, 2006 [Board Order No. 26 and 27](#)

October 17, 2006 [Board Order Nos. 29, 30, and 31](#)

## POLICY

A ~~COLA~~ (Cost of Living Adjustments) (~~COLA~~) is defined as any contract price increase during the term of a contract that is not a cost included in the initially negotiated contract price and is not for an increased service level or workload. A COLA reflects changes in the cost of doing business based on inflation.

COLA provisions in contracts are not mandatory; a department's determination to recommend the use of COLAs shall be a business decision based on such factors as the nature of the services contracted, the market, and the department's history and

experience contacting the specific service. If a services contract is developed as a result of a solicitation and the department decides to recommend the use of COLAs, the department must include the applicable COLA language in the solicitation document.

The following policy language shall be incorporated in substantially similar form into solicitations and contracts that include COLA provisions:

"If requested by the Contractor, the contract (hourly, daily, monthly, etc.) amount may, at the sole discretion of the County, be increased annually based on the most recently published percentage change in the U.S. Department of Labor, Bureau of Labor Statistics' Consumer Price Index (CPI) for the Los Angeles-Riverside-Orange County Area for the 12-month period preceding the contract anniversary date, which shall be the effective date for any Cost of Living Adjustment (COLA). However, any increase shall not exceed the general salary movement granted to County employees as determined by the Chief Executive Officer as of each July 1 for the prior 12-month period. Furthermore, should fiscal circumstances ultimately prevent the Board from approving any increase in County employee salaries, no COLA will be granted. Where the County decides to grant a COLA pursuant to this paragraph for living wage contracts, it may, in its sole discretion exclude the cost of labor (including the cost of wages and benefits paid to employees providing services under this contract) from the base upon which a COLA is calculated, unless the contractor can show that his/her labor cost will actually increase. Further, before any COLA increase shall take effect and become part of this contract, it shall require a written amendment to this contract first, that has been formally approved and executed by the parties."

The above calculations establish the "COLA cap." —No COLA may be granted that exceeds the COLA cap, but lesser or no COLA may be appropriate depending on the specific contract.

When COLA provisions are recommended in a contract, the contracting department shall indicate this in the Board letter recommending the contract award in the **CONTRACTING PROCESS** section and specify whether the contract language complies with County policy. —The contract award recommendation shall not include actual COLA dollar increases for any subsequent contract or optional extension year because the information necessary to calculate the COLA cap is not known for future years.

Departments shall discuss with Board offices any contract recommendation that does not comply with the County's COLA policy in advance of issuing the solicitation.

## RESPONSIBLE DEPARTMENT

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Internal Services Department

Chief Executive Office

~~Internal Services Department~~

## DATE ISSUED/SUNSET DATE

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Issue Date: April 1, 1997  
Review Date: January 29, 2002  
Review Date: January 19, 2006  
Revised Date: September 26, 2006  
| Revised Date: October 17, 2006  
Revised Date: March 18, 2010  
| Review Date: December 4, 2013

Sunset Review Date: April 1, 2001  
Sunset Review Date: January 28, 2006  
Sunset Review Date: January 19, 2010  
Sunset Review Date: March 18, 2014  
Sunset Review Date: March 18, 2018